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Russia's Oilseed Crushing and Feed Processing Industry

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Report Highlights:

Oilseed crushing capacity in Russia continues to expand, and may reach 8-9 million metric tons in a few years, easily surpassing domestic raw material supplies. As such, many older and outdated processors, which now account for most industry output, could fall by the wayside. Feed meal production still remains the secondary product of oilseeds crushing, although quality and industrial production of meal improves along with construction of new crushing plants.

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Executive Summary

Oilseed crushing capacity in Russia continues to expand, and may reach 8-9 million metric tons in a few years, easily surpassing domestic raw material supplies. However, the structure of this industry is changing, as new plants come on-line and smaller, less efficient ones go out of business. This report provides more detailed information on the types, locations, and ownership structures of Russia's oilseed processing operations. For more detailed information on the entire oilseed industry, please refer to GAIN Report RS5042 *Oilseeds and Products Annual*.

Crushing Capacity In Russia

Russia's oilseeds crushing capacity is estimated at 6.6 million metric tons (mmt), including 6.0 mmt at industrial crushing plants and about 0.6 mmt of on-farm extrusion processing. Experts forecast that in the next 2-3 years, Russia's oilseeds crushing capacity might increase to 8-9 mmt a year, though actual throughput will be limited to 5-6 mmt by insufficient domestic raw material availability. Old, mid-sized plants that still produce over 60 percent of vegetable oil will be pushed out by larger, more modern enterprises owned by powerful agriholding companies. Small extrusion press operations may survive for a longer period if they can continue to meet on-farm feed needs for high oil content cake and demand of farm workers for vegetable oil for personal consumption.

Vegetable oil remains the principal output of Russia's oilseeds crushing industry. However, in the last 2-3 years, along with modernization of old plants and construction of several new big crushing plants, production of feed meal increased and the quality of oil and meal improved.

The Structure of Russia's Crushing Industry

Russia's crushing industry consists of 77 big and middle-size oilseeds crushing plants, and approximately 1,300 small enterprises. Average annual production of vegetable oil in the last two marketing years was about 1.8 mmt, of which roughly 200,000 – 220,000 metric tons were bottled, 150,000 – 170,000 metric tons were exported, and the rest was used for production of margarine, fats for the confectionary and cosmetic industries, mayonnaise production, and other products.

Russia's oil crushing plants can be divided into three main groups by size and quality of operations:

- **"Big enterprises"** with modern oil extraction equipment and industrial-scale production of oilseed meal. At least 7-9 plants, including giants "Yug Rusi" and "Aston" in Rostov oblast, and "Efko" crushing plant in Belgorod oblast, and some plants in Krasnodar kray and in Volgograd oblast, can be included in this group. In 2003 these enterprises accounted for a third of all oilseeds crushed in Russia, and their share is increasing even as total domestic crushing expands.
- Around 65-70 **"old enterprises"**, including plants where some agriholdings have already invested in equipment modernization, and others with depreciated physical plant. Most of these were built in Soviet times, and are located either in the southern oilseeds (sunflowerseeds) producing region or in an urban industrial area. The latter (for example, in Ivanovo oblast and Tverskaya oblast) will struggle to survive because they are located far from where oilseeds are produced. To survive, these plants will need to change their strategy toward vegetable oil processing for mayonnaise, fats and margarine. Even in the oilseeds growing regions, the future of old enterprises without outside investment is murky. Some of these strategically located and better-

equipped enterprises have become the object of fierce competition between business groups in the last three years, unfortunately distracting them from their core business and lowering their production potential.

- **“Small plants and shops”** usually equipped with extrusion presses. Estimates of total oilseeds crushing at these facilities vary from 300,000 metric tons to 600,000 metric tons per year. Most of these facilities are located at or near farms that produce oilseeds. An exact determination of output is difficult, as they do not report their production officially.

Location Of Crushing Plants In Russia

Crushing plants are located primarily in the oilseed producing areas. In Soviet times, almost every southern oblast or region had a crushing enterprise located on its territory. The highest concentration of oil-crushing plants was in Krasnodar kray, Voronezh oblast, Belgorod oblast and Saratov oblast. With recent construction of new, big oil extraction plants in Rostov oblast in the last 6-7 years, it became the leader of oilseeds crushing. Today, an estimated 65 percent of Russia’s sunflowerseeds oil production is concentrated in Krasnodar kray, Rostov oblast and Belgorod oblast. Soybean crushing plants were located mostly in the Russian Far East, the leader in soybean production, but soybean crushing increased recently in the Southern Federal District of Russia, and the biggest enterprises can in any case process all oilseeds types.

In the last 3-4 years several big grain and oilseeds trading companies have been interested in investing in construction of modern big crushing plants in the Black Earth zone of European Russia. In the course of the last 3-4 years Voronezh oblast, being one of the large producers of sunflowerseeds with its convenient location on European Russia’s crossroads, has been considered as the most attractive place for these projects. None of the projects has been realized yet, and most of crushing operations in Voronezh oblast are old, medium size plants, and locally produced oilseeds are shipped to better-equipped plants in other oblasts.

From time to time, regional administrations in the Southern Federal District and in the Volga Valley Federal District declare their intention to expand and modernize regional crushing plants, but realization of these plans without outside cash is difficult, and big private companies have become more and more cautious in their estimates of oils and meals demand, stability of raw material supply, and more concerned about economic, bureaucratic, administrative, and other risks.

Below is a list of main oilseeds crushing plants in Russia, by federal administrative districts¹. Most of the plants are named after their location. Abbreviation MEZ stands for “oils extraction plant,” and MZhK means “oils and fats plant” (crushing and processing of vegetable oil).

Central Federal District

Company Name	Location	Products Processed	Notes
Efko	Belgorod oblast	Vegetable oil and vegetable oil products	www.efko.ru
Masloboynoye	Belgorod oblast	Sunflowerseeds and soybean oil, cake	
Chernyanskiy Vegetable Oil Plant	Belgorod oblast	Sunflowerseeds oil and cake	

Anninskiy MEZ	Belgorod oblast	Sunflowerseed oil and meal	Connected with Rusagro-Maslo segment of Rusagro Agriholding
Valuyskiy Vegetable oils combine (KRM)	Belgorod oblast	Vegetable oil, meal, mayonnaise	
Liskinskiy MZhK	Voronezh oblast	Sunflowerseeds and soybeans oil and meal	Connected with Rusagro-Maslo segment of Rusagro agriholding. In 2004 this agriholding planned to modernize this plant and to increase its crushing capacity to 1,400 metric tons of oilseeds per day
Bobrovskiy	Voronezh oblast	Extrusion of sunflowerseeds oil and cake	
Bogucharskiy vegetable oil plant	Voronezh oblast	Sunflowerseeds oil and cake	
Buturlinovskiy	Voronezh oblast	Extrusion of vegetable oil and sunflowerseeds cake	
Kantemirovskiy	Voronezh oblast	Extrusion and extraction sunflowerseeds oil and meal	
Novousmanskiy oil plant	Voronezh oblast	Extrusion of sunflowerseeds oil and cake	
Novokhoperskiy	Voronezh oblast	Extrusion of sunflowerseeds oil and cake	
Rossoshanskiy	Voronezh oblast	Extrusion of sunflowerseeds oil and cake	
Phinist-Perfumer	Voronezh oblast	Refined sunflowerseeds oil	
Ivanovo MZhK	Ivanovo oblast	Sunflowerseeds oil, including refined	
Shuyskiy Oil Extraction Plant	Ivanovo oblast	Vegetable oil, meal, cake	Connected with Nizhny Novgorod MZhK
Orelmaslo	Orel oblast	Sunflowerseeds oil, cake	
Zherdevskiy	Tambov oblast	Vegetable oil, cake	
Inzhavinskiy	Tambov oblast	Extrusion of sunflowerseeds oil, cake	
Podsolnechnick	Tambov oblast	Sunflowerseeds oil, cake	
Masloprodcomplex	Tverskaya oblast	Vegetable oil, refined	
Venevskiy Oil Plant	Tula oblast	Sunflowerseeds and rapeseeds oil and cake	
Kuban maslo Efremovskiy Oil Plant	Tula oblast	Corn oil, extrusion of sunflowerseeds oil	

Southern Federal District

Several of the most important operations in the Southern Federal District are noted below:

“Yug Rusi, MEZ”, Rostov oblast, produces different vegetable oils, meals, and vegetable oil products. Yug Rusi has been the leader in oilseeds crushing for the last four years. In 2005, the plant increased its crushing capacity to 1.3 million tons annually (4,000 metric tons of oilseeds per day). The plant processes all types of oilseeds (soybeans, sunflowerseeds, rapeseeds, mustard), can switch from one oilseed to another, and produce all kinds of vegetable oil and meal. The plant is located in the industrial zone of the city Rostov-on-Don. Their web site is located at www.grain.ru

“Aston” Holding Company, Rostov oblast, vegetable oil, meal, vegetable oil products. Currently, Aston owns two oilseed crushing plants where they crush 500,000 metric tons of oilseeds a year, and produce 12-14 percent of all vegetable oil in Russia. These plants are “Volshebny Kray” (in Rostov-on-Don), and “Miller MEZ” in Rostov oblast. At “Miller MEZ” they produce sunflowerseeds oil, refined, non-refined, sunflowerseeds meal, and other vegetable oil processed products. For expansion of “Volshebny kray” plant Aston Company is negotiating with the World Bank for a loan through the International Finance Corporation to raise company’s share of packed vegetable oil production to 24 percent of Russia’s total output. Their web site is located at www.aston.ru

Other notable plants are given in the table below:

Company Name	Location	Products Processed	Notes
Kirov KPKh	Rostov oblast	Storing and crushing of oilseeds	
Rabochiy	Rostov oblast	Sunflowerseeds oil	
Solntsedar – Don	Rostov blast	Sunflowerseeds oil, cake	
Emkas-Agro	Rostov oblast	Sunflowerseeds oil, cake, meal	
Armavirskiy MZhK	Krasnodarskiy kray	Sunflowerseeds, rapeseeds, flax and other vegetable oils, sunflowerseedsmeal, flax and rapeseeds cake	
Labinskiy MEZ	Krasnodar kray	Sunflowerseeds oil (press, extraction, non-refined, refined), sunflowerseeds meal	300,000 tons per year capacity
Agrocomplex Company	Krasnodar kray	Sunflowerseeds oil	
Belorechenskiy	Krasnodar kray	Sunflowerseedoil, cake	
Krasnodarskiy MZhK	Krasnodar kray	Sunflowerseeds and soybean extraction oil and blends, meal	Connected with Rusagro-maslo segment of Rusagro agriholding company
Kropotkinskiy Oil Extraction Plant	Krasnodar kray	Sunflowerseeds oil, press and extraction,	Connected with Rusagro-Maslo

		sunflowerseeds meal	segment of Rusagro agriholding company 180,000 tons per year capacity
Krasnodar Experimental Oil Plant	Krasnodar kray	Sunflowerseeds oil and cake	
Kuban'plastic	Krasnodar kray	Sunflowerseeds, soybean, rapeseed oil and cake	
Kuban'khleboproduct	Krasnodar kray	Sunflowerseeds oil and cake	
Firm Liga	Krasnodar kray	Sunflowerseeds oil, cake	
Maslozavod Company	Krasnodar kray	Extrusion press sunflowerseeds oil	
Mercury Company	Krasnodar kray	Sunflowerseeds oil, cake	
Soya – 1	Krasnodar kray	Soybean feed, soybean oil, soybean meal and cake, sunflowerseeds oil and cake, rapeseed oil and cake	
Ust'-Labinskiy Oil Extraction Plant Florentina	Krasnodar kray	Sunflowerseeds oil (press and extraction), sunflowerseeds cake	Control is said to transfer from "OGO" to another company
Yuzhnyi Polus Oil Plant	Krasnodar kray	Sunflowerseeds oil and cake	
Nevinnomysskiy MEZ	Stavropol kray	Sunflowerseeds and rapeseed oil and meal	Control is said to transfer from "OGO" to another company
Oil of Stavropol	Stavropol kray	Sunflowerseeds oil and meal	Control is said to transfer from "OGO" to another company
Uryupinskiy MEZ	Volgograd oblast	Sunflowerseeds oil (press, extraction, refined, non-refined), meal.	Sunflowerseeds oil production in 2005 is forecast to reach 25,000 metric tons. Web site: www.mez.avtlg.ru
Sarepta	Volgograd oblast	Mustard, rapeseed, and flaxseed crushing	
Agrosoya	Adygeya Republic	Sunflowerseeds and soybean oil, meal and cake	
Zagotzerno	Dagestan Republic	Sunflowerseeds oil	
Nalchikskiy	Kabardino-Balkariya Republic	Vegetable oil, cake	

Volga-Valley Federal District

Company Name	Location	Products Processed	Notes
Orenburg Oil Extraction Plant	Orenburg oblast	Sunflowerseeds oil, meal	Connected with Nizhny Novgorod MZhK
Maleuzovskiy Elevator	Bashkortostan Republic	Sunflowerseeds oil	
Kazanskiy Oils and Fats Plant	Tatarstan Republic	Sunflowerseeds, rapeseeds, soybean oil	
Tetra - Invest	Tatarstan Republic	Rapeseed oil and cake	
RIKA	Penza oblast	Sunflowerseeds oil	
Yantar' and Co	Penza oblast	Sunflowerseeds oil, cake and meal	
Bogatovskiy MEZ	Samara oblast	Sunflowerseeds oil, meal	
Atkarsk Oil Extraction Plant	Saratov oblast	Vegetable oil, meal and cake	Connected with Sun Products Holding
Tovarnoye Khozyaistvo	Saratov oblast	Sunflowerseeds oil	
Ulyanovsk maslo	Ulyanovsk oblast	Sunseeds oil, cake	
Sigma	Chelyabinsk oblast	Sunflowerseeds, soybean, corn oil	

Other plants in the region include:

"Nizhny Novgorod MZhK" in Nizhny Novgorod oblast. This holding company specializes in production of vegetable oil products, but also crushes oilseeds. The company owns entirely or partially two big oilseeds crushing plants in Orenburg and Ivanovo oblasts, and some smaller crushing and oils and fats plants. In 2004, these plants produced about 33,000 metric tons of vegetable oil, and the capacity of these plants is estimated at over 150,000 metric tons a year. However, the company's main interest is in processing vegetable oil and production of confectionary fats, mayonnaise, and other products. Their web site is located at www.nmgk.ru

"Yantarnoye" in Saratov oblast, produces sunflowerseeds oil (non-refined), mustard oil, sunflowerseeds cake and meal. This plant is the core of oil crushing segment of the "Sun Products Holding" Group. In 2004, Sun Products united the fats and oils operations of "Buket Group", one of the largest agriholdings in Russia, and a large producer of oil products. Its headquarters and most of production facilities are in Saratov oblast. Production of bottled vegetable oil in 2004 surpassed 150,000 metric tons. The holding unites vegetable oil processing plants, and several oil crushing plants, including two big plants in Saratov oblast and one plant in Krasnodar kray, and some smaller crushing plants and elevators in Saratov oblast. Their web site is located at www.yantarnoye.ru

Ural Federal District

The main oilseed processing operation in the Ural Federal District is Yekaterinburg MZhK, located in Sverdlovsk oblast. It produces over 50,000 metric tons of vegetable oil a year. This plant is connected with the "Rusagro-Maslo" segment of "Rusagro" agriholding.

Siberian Federal District

Company Name	Location	Products Processed	Notes
Aleiskzernoproduct	Altay kray	Vegetable oil	
Biyskiy MEZ	Altay kray	Sunflowerseeds, soybean, flax, rapeseeds oil and meal	
Oilcrushing plant	Altay kray	Sunflowerseedsoil and cake	
Melnik	Altay kray	Vegetable oil	
Uspenskiy Elevator	Altay kray	Vegetable oil	
Akvikon	Krasnoyarsk kray	vegetable oil	
Irkutsk MZhK	Irkutsk oblast	Soybean, sunflowerseeds, rapeseeds oil and meal	
Krasnaya Gorka Plant	Tomsk oblast	Vegetable oil, cake	
Provansal	Tomsk oblast	Vegetable oil, cake	

Far East Federal District

Company Name	Location	Products Processed	Notes
Lesozavodskiy KKhP	Primorskiy kray	Soybean oil and meal	
Ussuriysk MZhK	Primorskiy kray	Soybean oil and meal	
Khabarovsk MZhK	Primorskiy kray	Soybean oil and meal	
Amuragrocenter	Amur oblast	Soybean oil, cake	
Semidomskoye	Amur oblast	Oilseeds crushing	
Flibustryry	Amur oblast	Oilseeds crushing	

Crushing In Russia

Actual oilseeds crushing in Russia increased during last two-three years, and even grew faster than capacity; crushing capacity utilization increased from 50 percent in 2002 to 62 percent in 2003 and is estimated to reach 5.2 mmt, or almost 80 percent of the total crushing capacity in 2004. This ratio is considered normal for flexibility in crushing, but smaller plants usually cannot compete when it comes to purchasing oilseeds at competitive prices, and in MY 2004 many of this group used much less than 80 percent of their capacity, leading to significant financial losses. Use of crushing capacity significantly varies in different regions. Thus, in 2003 (the latest available data) in the Central Federal District and in Volga Valley Federal District more than 70 percent of crushing capacity was used, in the Southern Federal District, 61 percent, while in the Far East Federal District and in Ural Federal Districts, plants ran at less than 25 percent capacity.

Feed Production Output In Russia

Official data on feed production is expressed in "feed units" (oat) equivalent. Feed units are an accounting device for converting unlike feeds into a single "energy" unit for comparability. A feed unit is equal to one kilogram of oats, or 2,715 calories. In 2004, this figure was 105.2 million metric tons, including 40.4 mmt of concentrated feed. The aggregated official data are based mostly on experts' estimates, but are not considered accurate, and do not give the structure of feeds, including grain, silage, hay, green chop, protein feeds, etc. Even data on feed grain component of feed production do not exist, because most grain, especially wheat, can be used both for feeding and for milling. Total Russian grain production varied in the last five years from 65 to 80 mmt, and volume of grain that is used in feeding fluctuates from 25 mmt to 35 mmt, according to industry estimates. Post estimates grain feed consumption for MY 2004 at 33.3 mmt. Production of protein feeds, including fishmeal and oilseeds meal and cake (cake has higher oil content and in many farms is considered as a useful by-product of extrusion) is estimated at 2.28 mmt.

Meal is still not considered to be the main product of Russian oilseeds industry, but along with increased oilseeds crushing at the big industrial plants, production of all protein meals increased in MY 2004 by 15 percent to 2.28 million metric tons, and this level of production will be maintained in MY 2005.

Demand for protein feeds has not yet become the growth engine for oilseeds crushing due to low rate of development of poultry industry, and continued slowdown of the domestic livestock industry. Besides, some experts consider that high protein feed demand will be lagging behind the development of livestock and poultry industry due to abundance and cheapness of feed-quality wheat in Russia. Considering this, big crushers started to investigate foreign markets for sunflowerseeds meal and cake, and exports of oilseeds protein meal increased in MY 2003 and in MY 2004 to the annual 0.5 mmt.

Breakdown Of Feed In Russia

Post estimates of domestic grain feed consumption, by different grains, are given in the Grain and Feed Annual Report for 2005 (GAIN Report RS5023).

For protein feeds Post estimates are the following:

- Sunflowerseeds meal and cake still constitute the main portion of protein meal production and consumption in Russia. In MY 2004 (October 2004 through September 2005) Russia produced 1.73 mmt of sunflowerseeds meal, or 75 percent of the total Russia's meal production.
- Production of soybean meal is 385,000 metric tons, 17 percent of the total.
- Production of rapeseeds meal is 110,000 metric tons.
- Production of fishmeal has been decreasing permanently from 80,000 metric tons 5-6 years ago to 55,000 metric tons in MY 2004, or to less than three percent of the total protein meal production.

Location Of Feed Plants In Russia

Some 82 percent of fishmeal is produced by enterprises of the Northern basin, 12 percent of fishmeal is produced at the enterprises of the Far East basin, and 3.6 percent of fishmeal is produced at the enterprises of the South basin.

Oilseeds meal is produced at crushing enterprises mostly in the Southern Federal District, some Southern oblasts of the Central Federal District, in the Volga Valley Federal District and in the Far East Federal District (mostly soybean meal and cake). The list of enterprises is

given in the section "Location Of Crushing Plants In Russia." Almost all soybean and rapeseeds meal is produced at the industrial crushing facilities, while some amounts of sunflowerseeds meal and cake are produced at the on-farm extrusion facilities that are not listed above.

Contacts

Detailed information on the development of oils/fats and feeds markets can be ordered from the following research companies:

- **IKAR**, Web-site <http://ikar.ru>. This analytical center publishes analytical materials on a regular bases, and also can conduct a special research on the order of a client
- **Agricom Consulting**, Web-site: www.analitica.info. This company publishes surveys of different agricultural and food markets. The Survey of the Oils and Fats Market of Russia has been issued in 2005. The addresses, telephones and contact names of the major oil-crushing and oil processing companies can be found in this survey.
- **RBC** (Ros Business Consulting): <http://research.rbc.ru/>. This research group issues an update on the status of oilseeds industry once in three months, including industry's news, investment projects, information about companies, new products, news on legislature, statistical data. The price of one publication is 7,000 rubles. They also can sum up information and prepare a yearly report. All information is in Russian.

ⁱ The list of oilseeds crushing companies, including notes, is prepared based on publications in the mass media and the "Guide for Oils and Fats Market Operator", OOO Agricom Consulting, Moscow, 2005